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INSIDE

Two GLC Pilots Killed ..... Page 82
Largest Dash 8 Order Placed ..... Page 83
ATR-42 Deliveries Accelerated ..... Page 84
Business Aviation Briefs ..... Page 85
Marketplace ..... Page 88

DAVE COLLOGAN/EDITOR
KATHRYN BLEDSOE/ASSISTANT EDITOR
1156 15th STREET, N.W./WASHINGTON, D.C. 20005
PHONE: (202) 822-4600/TELEX: 89-2447

AIR FORCE CONSIDERING CANCELLATION OF FAIRCHILD T-46 CONTRACT

U.S. Air Force, under pressure to reduce spending over the next several years and dissatisfied with Fairchild Industries' work on the T-46A trainer program, has apparently decided to cancel the T-46A contract with the company. Reports circulating last week indicated the Air Force had decided to kill the program and that Deputy Defense Secretary William H. Taft IV had endorsed that plan. Asked if those reports were accurate, a Fairchild spokesman said "that's our understanding." Since the T-46A would be built at Fairchild Republic in Farmingdale, N.Y., under a contract estimated at $3.5 billion if all 650 aircraft are built, it is expected the Air Force will face strong opposition from the New York Congressional delegation if it does push to cancel the program.

Cancellation of the T-46A would be a serious long-term setback for Fairchild, the latest in a series of problems that have surfaced at the company. Last month Fairchild reported a first-half loss of over $93 million, largely as a result of delays and higher than anticipated costs on the T-46A and Saab-Fairchild SF-340 programs *(BA, Aug. 19/57)*. Fairchild said at that time it planned to sell off some of its subsidiaries and would attempt to recover some $45 million in employe pension plan funds. More recently, Fairchild came in for sharp criticism in an Air Force report resulting from an inspection of the Farmingdale facility *(see related story on Page 82)*.

Ironically, loss of the T-46A program could have a positive short-term effect on Fairchild. A spokesman noted it would permit the company to recover some of the $60 million that had been set aside in reserves for the program and also would cut costs. He added, however, that "we think the Air Force needs (the T-46A) and will continue it." The spokesman noted that beyond 1988 the T-46A program would be a major cash producer for Fairchild.

Cessna Discussing T-37 Upgrade With Air Force

If the Air Force does cancel the T-46A, one alternative would be refurbishing the 630 T-37s the T-46A was designed to replace. Cessna Aircraft, which built the T-37s, said the Air Force asked it early this summer to develop such a proposal. Cessna responded with a plan to re-engine the T-37 (probably with the Garrett F-109 designed for the T-46A), pressurize the aircraft, upgrade the avionics and make other improvements in the aircraft, which are 20-30 years old. Cessna had made a similar proposal to the service in 1978 and also made the same approach again a couple of years later before Fairchild was awarded the T-46A contract. Cessna Chairman Russ Meyer has stated that Cessna could upgrade the T-37s for about $1.5 billion, compared to the $3.5 billion required for new T-46As.

Fairchild also confirmed last week that it has been engaged in discussions with Saab-Scania of Sweden about a change in the relationship between the two companies in the SF-340 program. The two companies are currently equal partners in the project, with major components of the aircraft built at the Farmingdale plant and then shipped to Sweden for final assembly. A Fairchild spokesman said Friday those discussions have been going on for some time, but refused to elaborate on any possible changes in that relationship.

Officials at Saab-Fairchild International, which markets the twin-turboprop commuter aircraft, appear convinced the 340 program will remain viable even if Fairchild's role changes. They note that under the

(Continued on the following page)

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RAA: LARGE AIRCRAFT CLAIM GROWING SHARE OF COMMUTER TRAFFIC – Data developed by the Regional Airline Association shows that aircraft with 60 or more seats–which were virtually nonexistent in commuter and regional airline operations a few years ago–are carrying a rapidly increasing portion of commuter airline traffic. Testifying at an International Trade Commission hearing on the competitiveness of U.S. business jet and commuter aircraft manufacturers, Alan Stephen, RAA vice president-operations, said there were only 26 aircraft in commuter service–or 1.5 percent of the total commuter/regional fleet–with 60 or more seats at the start of the year. Despite that, Stephen said 60-plus-seat aircraft are expected to account for 14 percent of total commuter/regional revenue passenger miles this year *(see charts on the back of this page)*. The number of aircraft with nine or fewer seats accounted for nearly half of the commuter fleet, 42.1 percent, but those small planes are expected to carry only five percent of total commuter/regional traffic this year, Stephen said. He emphasized that the figures are based on RPMs and not passengers boarded, adding that the greater capacity, higher block speeds and longer route segments flown with the larger aircraft all serve to increase their share of total commuter traffic.

HORIZON TO ACQUIRE 10 DASH 8S, LARGEST SINGLE ORDER EVER – Horizon Air last week placed an order with de Havilland Aircraft of Canada for 10 Dash 8 aircraft, the largest single order in the manufacturer's history. Completion of aircraft deliveries is scheduled by the end of 1986. Order also includes options for delivery of an additional 10 aircraft during 1987. Order for the first 10, including spare parts, is valued at approximately $69 million.

Once they are in service, the new Dash 8s will replace Horizon's current fleet of 12 F27s and will supplement its 20 Metro IIIs and one F28. Milton Kuolt, president of Horizon Air cited the Dash 8's "speed, operating economy and passenger appeal." William Boggs, chairman, president and chief executive officer of de Havilland, said that the order brings firm orders and options for the Dash 8 to just over 100.

Horizon Air early last month announced it planned to acquire Cascade Airways, based in Spokane, Wash. *(BA, Aug. 6/42)*. As a part of the agreement, Cascade would continue to operate separately from Horizon, serving four Montana points, not served by Horizon, and Calgary, with five BAC-1-11s, two HS-748s, eight Beech 1900s and two Metro IIs. Kuolt said the acquisition of the Dash 8s would not have any effect on the Cascade deal.

HOUSE PANEL APPROVES DOT APPROPRIATION DESPITE VETO THREAT – House Appropriations Committee Thursday approved an $11.6 billion fiscal 1986 transportation appropriations bill despite a veto threat from the Office of Management and Budget. Committee hopes to have the bill on the House floor this week with an amendment ready to reduce some spending in the bill to meet administration concerns. Aviation funding levels in the measure were unchanged from those approved by the transportation subcommittee except for the addition of $330,000 in staff funding for the essential air service program. The funds were taken from the EAS subsidy account. The committee did not act on a request from Transportation Secretary Elizabeth Dole to restore $49.7 million cut from the administration's request for FAA operations, which she said could be offset by a corresponding decrease in the obligations ceiling for airport grants.

OMB, in a letter to committee leaders, said the bill provides funding at levels "unacceptable for this period of national fiscal austerity." Dole also wrote the committee that the bill is $3.3 billion over the administration's transportation funding request and $1.5 billion more than anticipated in the budget resolution adopted by Congress in August.

BAE ANNOUNCES NEW JETSTREAM ORDERS, PRODUCTION INCREASE – British Aerospace Inc. announced orders for seven additional Jetstream 31 turboprops last week and said it plans a major increase in the aircraft's production rate. BAe said it received a repeat order from NetherLines for two Jetstreams, which will boost that carrier's fleet to six and make it the largest Jetstream 31 operator outside the U.S. The two new aircraft will be delivered in December of 1985 and January of 1986. In addition, the company said it received orders for five Jetstreams from an unnamed customer.

The 19-passenger Jetstream is built at BAe's Prestwick, Scotland facility. Production rate had been 24 units per year until April of 1984 when it was raised to 36 per year. BAe now plans to boost production to a rate of four aircraft per month in 1986.

Aircraft in Regional Airline Passenger Service
Fleet Size and Traffic Carried by Seats

Seat Capacity	Acft in Service 1/1/85	% of Total Rev. Pax. Miles*
9 or less	721	5 %
10 to 19	610	37 %
20 to 39	165	17 %
40 to 59	189	27 %
60 and up	26	14

*Estimated year end 1985
(Excludes helicopters)

TOTAL AIRCRAFT IN REGIONAL PASSENGER SERVICE AND PERCENT OF U.S. MANUFACTURE

Seat Capacity	1978 Units	1978 %	1982 Units	1982 %	1985 Units	1985 %
9 or less	671	92%	688	90%	721	88%
10 to 19	245	49%	544	52%	610	57%
20 to 39	121	68%	114	39%	165	25%
40 to 59	10	100%	175	43%	189	49%
60 to 100	0	--	5	0%	26	0%
Totals	1047	79%	1526	67%	1711	67%

RAA Charts